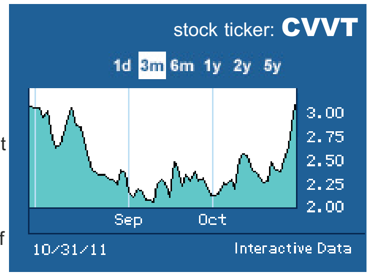
Exhibit M

China Valve Technology (NASDAQ:CVVT) — Destined To Get Delisted

Posted in Citron Reports by Stocklemon on the January 13th, 2011



You have to live under a rock not to know that there is widespread fraud in the China RTO small cap space. There is no reason to even reiterate the news coverage as the story has been flogged over and over. There are, however, plenty of reasons to look for the next company that will fall victim to increased scrutiny. Citron believes that this is an easy one: the case of China Valve Technology. (NASDAQ:CVVT)

Frazer Frost has become the poster child for bad auditing of Chinese names. They were just sanctioned by the SEC for their lack of oversight of China Energy http://www.sec.gov/litigation/admin/2010/33-9166.pdf Frazer was also the auditor for the now infamous, recently delisted RINO. All of Frazer's clients have been forced to find new auditors, which for the reasons described below, puts CVVT in an untenable position — between a rock and a hard auditor.

The fact that CVVT had one of the lowest corporate governance scores (ranked 63rd out of 70 companies) on a recent Piper Jaffray China investment study and has had a revolving door of CFO's is not surprising in light of what we discovered. And worse, the company made three acquisitions in 2009 and 2010, with some of the most unimaginably bizarre disclosures we've ever seen.

The company recently teased with news it was close to finalizing a "big 4″ auditor – but hasn't said which one. It is Citron's opinion that there is no way the company can pass an annual audit of any reasonable professional scrutiny. Citron believes that the company will execute a secondary prior to attempting to provide an audit for these acquisitions.

Citron further predicts the company will get delisted to the world of the pink sheets when it inevitably fails to produce a credible audit of its 2010 acquisitions.

Case in Point

A year ago, if you asked "what's the cleanest, best disclosed example of a China RTO, the name Tongxin (NASDAQ:TXIC) would invariably get props. This model truck body manufacturer with state-of-the-art facilities was one of the first – and the cleanest – reverse merger companies to list on NASDAQ. Yet, when the company hired a "big 4″ auditor to "get legit" in 2010, the auditor was unable to produce the audit because of concerns over related party participation in the acquisition transaction. When it failed to file annual audited financials, the company lost its listing, 85% of its market cap, and now trades for 1.20 on the pink sheets.

Our research reveals a picture of China Valve much worse than TXIC — consistently misrepresenting their business and more importantly their acquisitions, which appear to be nothing more than an instrument for insiders to extract money from the company….so sit back relax and here we go….

Acquisition History of China Valves

China valves completed 3 major acquisitions in 2009 and 2010.

Able Delight – The Myth

The Company first reported its intention to acquire the assets of Able Delight for 15 million USD on January 12,.2010, a few weeks after closing a 22 million USD private placement. The press release described Able Delight as a leading producer of valves. The transaction was completed on February 3rd, 2010. In CVVT's February 8-K, the assets purchased in this transaction included 4.94 million USD of Inventory and 10.11 million USD of PP&E. ….which seems simple enough.

But then something happened in November. Whether an SEC inquiry or pressure from the auditors we don't yet know, but the company amended the 8-K and disclosed something closer to the truth.

In the amended 8-K on November 18th, 2010, the company reveals for the first time that Able Delight was in fact a subsidiary of billion-dollar Watts Water Technologies, (NYSE:WTS). The SEC filings of Watts paint a very different picture of the operating profile of the company than described by CVVT. According to Watts' 10-Q and 10-K, Able Delight (Changsha) Valve lost 5.3 million USD in 2009.

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Worse, the subsidiary was under foreign corrupt practices investigation and Watts shut it down as a result of that.

However, under ownership of China Valves, we are to believe an instant turnaround had happened. CVVT estimated the subsidiary to contribute 20.5 million USD of revenue, twice of the previously reported revenue number by Watts, and 5 million USD of net income, instantly turning around a 5.3 million USD loss in 2009….Good luck getting that past an auditor.

Worse, we learn in the amended 8-K filed in November that only 6.07 million USD was paid for the "assets" of Able Delight to Watts (who filed that they received 5 million) and an additional 8.93 million USD went to the owner of Able Delight, purportedly for a list of other tangential expenses listed as "(approx)'. So who is this mystery owner who received the bonanza?

Now this would get you "locked up" in the United States:
The November 8-K states the CVVT bought Able Delight from a "third party" Qing Lu, and the company lent Lu the money to buy the subsidiary. Yet what was not disclosed is that Qing Lu shares the same residential address and co-owns the same house as Bin Li, who's the first cousin of Siping Fang (Chairman of CVVT) and 34% owner of the Company.

The address is 1165 Rugglestone Way — Check it out yourself [http://www.city-data.com/fulton-county/R/Rugglestone-Way-3.html

It is almost as if China Valve was trying to break a record with how many securities laws can be broken with a single transaction. From misstating ownership of a company, to an undisclosed related party transaction, to inflating revenue projections, and lastly hiding the actual name of the business, for this 4-in-1 disclosure failure … we tip our hats to their management team!

The Acquisition of Hanwei Valves

In the asset acquisition of Hanwei Valves, we see again that the Company did not do what it said in its 8-K filed on April 9th, 2010.
The "Asset Transfer Agreement" referenced in the 8-K filing contains four parties:

- Party A: Henan Tonghai Fluid Equipment Co., Ltd. (Subsid of China Valve)
- Party B: Shanghai Pudong Hanwei Valve Co., Ltd. (Acquired Company)
- Party C: Shanghai Hanhuang Valve Co., Ltd (Owner of B)
- Party D: Hong Kong Hanxi Investment Co., Ltd. (Owner of B)

In the Company's 8-K filed on April 9th, 2010, it clearly stated several points leading to the conclusion that Party C and D, which owned Party B (from which assets are acquired) are unrelated parties. **But here is a document that tells us a different story.** In another seemingly undisclosed related party transaction, this document below shows in fact that **China Valve owned party C prior to the acquisition.**

公司变更登记申请书

注册号：

项目	原登记事项	申请变更登记事项
名称	上海汉凰阀门有限公司	
住所	[illegible]	
街道 / 乡镇	青浦	
邮政编码		
联系电话		
法定代表人姓名	王志明	[illegible]
注册资本	1500（万元）	1500（万元）
实收资本	1500（万元）	1500（万元）
公司类型	有限责任公司	有限责任公司
经营范围	许可经营项目： 一般经营项目：[illegible]	许可经营项目： 一般经营项目：[illegible]
营业期限	[illegible]	□长期 □至 年 月 日
备案事项	☑董事 ☑监事 ☑经理 ☑章程 □章程修正案	
执照有效期	[illegible]	

本公司依照《公司法》、《公司登记管理条例》申请变更登记，提交材料真实有效。谨此对真实性承担责任。

公司盖章　　法定代表人签字：

2010 年 3 月 1 日

SAIC Filing of Shanghai Hanhuang Valves

Furthermore, the company presents this transaction as an "asset sale" and goes as far as to claim that Party C and Party D represent that the tangible and intangible assets of Hanwei Valve (including but not limited to land, buildings, equipment and intellectual property) are not subject to any collateral, pledge, lien or any third party claims. Party C and Party D will take all responsibilities arising out of any claims if the representations are not accurate. It further lays on non-compete clauses…the whole 8-K can be read here.

http://www.sec.gov/Archives/edgar/data/1080360/000120445910000787/form8k.htm

Yet we read as of today that CVVT did not in fact buy just the assets but rather they bought the whole company, which could easily include undisclosed liabilities. MORE IMPORTANTLY, when you buy just the assets of a company, you do not have to file financials on the acquisition but when you buy a full company, you are required to….so its another auditing nightmare….good luck. Below is proof that China Valve now owns all parties B, C, and D.

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上海浦东汉威阀门有限公司

Shanghai Pudong Hanwei Valve Co.,

企业基本信息

企业法人营业执照

名称:	上海浦东汉威阀门有限公司	注册号:	310115400089392
法定代表人:	王志明	住所:	上海市浦东新区机场镇航殷路245号
注册资本:	5000.000000 万人民币	实收资本:	5000.000000 万人民币
企业状态:	确立	公司类型:	有限责任公司(台港澳与境内合资)
成立日期:	2002年01月23日	营业期限:	2002年01月23日 至2017年01月22日
登记机关:	浦东新区分局	股东发起人:	上海汉凰阀门有限公司，香港汉系投资有限公司
经营范围:	生产各类高中压阀门、高科技特种阀门及管路附件，销售自产产品，并提供相关的技术服务（涉及许可经营的凭许可证经营）。		

Zhiming Wang

Equity Ownership

Shanghai Hanhuang Valve Co., Ltd

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企业基本信息 工商年检信息

上海汉凰阀门有限公司

Shanghai Hanhuang Valve Co., Ltd

企业基本信息

Name of the Legal Representative

企业法人营业执照

名称:	上海汉凰阀门有限公司	注册号:	310115000650504
法定代表人姓名:	房四平	住所:	浦东新区川南奉公路1079号14幢103室
注册资本:	1500.000000 万元	实收资本:	1500.000000 万元
企业状态:	确立	公司类型:	一人有限责任公司(外商投资企业法人独资)
成立日期:	2001年12月14日	营业期限:	2001年12月14日 至2011年12月13日
登记机关:	浦东新区分局		
经营范围:	各类高中压阀门、特种阀门及其相关管路附件的加工、制造、销售。（以上涉及许可经营的凭许可证经营）。		

Siping Fang (Chairman of CVVT)

Solely Owned Limited Liability Company (Solely Funded by the Legal Representative)

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The Yangzhou Rock Acquisition

Yangzhou Rock was the smallest acquisition transaction of the three, a mere 7.3 million USD. Without diving into too many details, there are at least two points of suspicion.

1. Before even agreeing upon a price, China Valves paid 6 million USD upfront for Yangzhou Rock which simply makes no sense, unless of course you had some “relationship” with the seller.

2. Like the other transactions, China Valves paid for a mere 2.2 times PE for Yangzhou Rock which leads to the question: Why would anyone sell such a business for 2.2 times PE?

Unless of course the numbers are completely fictional as we saw in the example of Watts Water.

Through its own filings and disclosure on the three acquisitions it completed, China Valves has been claiming an annualized 94 million USD revenue and a blended gross margin of 43.4% on these three acquisitions. **They are simply too good to be true.** The words **"too good"** is not being used lightly here

Nothing about this company seems to make sense.

· They represent gross margins that are by far the highest in a commoditized sector, yet they make no investment for innovation: their R&D Budget for 2010 is around $150K.

· They compare themselves to Emerson, a company 100 times larger, yet CVVT claims they have twice the operating margins….good luck explaining that to your new auditor.

· They are able to buy a competitor at P/E of 2.

Who's Minding the Store?

The SEC is currently wrestling an enormous and intractable problem. This entire wing of the market has gone completely off the regulatory rails. Disclosure failures that would result in immediate stock halts and criminal actions are being uncovered daily.

Yet, getting any jurisdiction for serious regulatory efforts in China is very problematic, even more so with a holding company structure in yet a 3rd jurisdiction, typical for China RTO's. (CVVT's holding company is in Hong Kong.) Yet nothing of an enforcement nature happens without the explicit permission of the Chinese government.

So the SEC task force's approach is to hold the US counterparties accountable for these entities. Before the analysts rush to defend these regulatory quagmires, they are going to have to consider their own vulnerability for being held accountable for issuers' practices that make such a joke of basic disclosure rules. A 2010 big 4 audit will not be as easy to acquire as another no-name valves maker.

Conclusion:

This company needs substantial cash going forward – which puts it in a cynical race between a secondary and an audit.

Citron expects the secondary is going to win – and there's no safety valve for investors who are the likely losers. Consider the rush to close this secondary in light of how difficult it will be to actually procure a real audit. This is stuff that would just never be permitted in US exchanges.

How sustainable is this picture? Citron suspects it ends with the color pink.

Cautious Investing to All